

Article - Insurance

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§16–307.

(a) This section does not apply to a policy of life insurance issued on or after the operative date of § 16-309 of this subtitle.

(b) (1) For purposes of this section, the date of issue of a policy is the date as of which the rated age of the insured is determined.

(2) Subject to subsection (d) of this section, the adjusted premiums for a policy shall be calculated on an annual basis and shall be a uniform percentage of the premiums specified in the policy for each policy year, excluding extra premiums on a substandard policy, so that the present value of the adjusted premiums, calculated as of the date of issue, shall equal the sum of:

(i) the present value of the future guaranteed benefits, calculated as of the date of issue, provided by the policy;

(ii) 2% of the amount of insurance if the insurance is a uniform amount or of the equivalent uniform amount of insurance, calculated under subsection (c) of this section, if the amount of insurance varies with the duration of the policy;

(iii) subject to paragraph (3) of this subsection, 40% of the adjusted premium for the first policy year; and

(iv) subject to paragraph (3) of this subsection, 25% of the lesser of:

1. the adjusted premium for the first policy year; or

2. the adjusted premium for a whole life policy of the same uniform amount or equivalent uniform amount with uniform premiums for the duration of the insured's life, issued at the same age and for the same amount of insurance.

(3) In applying the percentages specified in paragraph (2)(iii) and (iv) of this subsection, adjusted premiums may not be considered to exceed 4% of the amount of insurance or of the equivalent uniform amount of insurance.

(c) (1) Subject to paragraph (2) of this subsection, if a policy has a variable amount of insurance over its duration, for purposes of subsection (b) of this section the equivalent uniform amount of insurance shall be based on the uniform amount of insurance provided by an otherwise similar policy that:

- (i) contains the same endowment benefits;
- (ii) is issued at the same age and for the same term;
- (iii) has an amount of insurance that does not vary over the duration of the policy; and
- (iv) provides benefits that have the same present value at the date of issue as the benefits under the policy that has the variable amount of insurance.

(2) If the policy that has a variable amount of insurance is issued on the life of a child under age 10, the equivalent uniform amount of insurance may be calculated as though the amount of insurance provided by the policy before age 10 was the amount provided by the policy at age 10.

(d) (1) Subject to paragraph (2) of this subsection, the adjusted premiums for a policy that provides term insurance benefits by rider or supplemental policy provision shall equal the sum of:

- (i) the adjusted premiums for an otherwise similar policy issued at the same age without the term insurance benefits during the period for which premiums for the term insurance benefits are payable; and
- (ii) the adjusted premiums for the term insurance during the period for which premiums for the term insurance are payable.

(2) Paragraph (1)(i) and (ii) of this subsection shall be calculated separately in accordance with subsections (b) and (c) of this section except that, for purposes of subsection (b)(2)(ii), (iii), and (iv) of this section, the amount of insurance or the equivalent uniform amount of insurance used in calculating the adjusted premiums in paragraph (1)(ii) of this subsection shall equal the corresponding amount determined for the entire policy less the amount used in calculating the adjusted premiums in paragraph (1)(i) of this subsection.

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